

ECONOMIST CORNER

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LIVESTOCK

The fed cattle market continues its seasonal decline from a spring high to a summer low. This year appears to be on schedule with a high coming the first week of April at \$94.55 and by mid-June averaged \$84.73. Under typical conditions prices would be expected to decrease another \$²cwt to a low in July or August. This year is anything but normal as the market is watching Japan, Canada, courts, and testing labs. At this writing the results are not announced from the sample that tested positive for BSE. It is a retest using the second internationally accepted testing procedure on the inconclusive sample found last November. We won't know the impact until we know the final test results and see how domestic consumers react. The fact is we have more safeguards in place today than when BSE was first found in North America. How well that message is delivered and understood is key to cattle prices if the test is positive.

Hog prices appear to have put in their seasonal high earlier than normal. Live prices have fallen \$¹⁰cwt from the high the first week of May. As I reported in the last Econ Corner this is the earliest summer high in 35 years if it holds. It appears that pork exports had supported the market earlier in the year and may have slowed. Export data is not reported for 6-8 weeks after the end of the month. Hog prices are still expected to remain strong and in the upper \$40s to low \$50s live weigh through July. In recent years we have seen a decline ahead of Labor Day and that may occur this year as well as we expect to see a year over year increase in supplies during the second half of the year.

GRAINS

Corn and soybean prices will be very sensitive to rainfall in Illinois, Missouri, and eastern Iowa in late June and early July. A large part of this area has been dry for several weeks. On June 12, Illinois reporters indicated 62 percent of the state's top soil was short to very short of moisture. For the major corn-growing states as a group, corn condition is reported to be almost as good as last year, although Illinois, Missouri, and Ohio are significant exceptions. Good rains through the dry area in late June and early July would create the potential for substantial down-side risk in new-crop corn prices, and the late summer and fall basis in cash markets. General rains would reinforce prospects for more serious shortages of storage space than last fall.

Soybean prices will be unusually sensitive to rain over dry areas and also to any indications of Asian rust spreading into major soybean growing areas. Through mid-June, rust had been found only on kudzu weeds in four counties of central and southern Florida, and on volunteer soybeans in one county of Georgia. Neither state is a major soybean producer. Soybean crushings and exports have held up better than expected, and carryover stocks are expected to be moderately lower than indicated by projections made last winter. Severe drought in Brazil, downward-revised Brazilian carryover stocks, and strong Chinese demand have helped to maintain U.S. crushings and exports. Finding of rust in Louisiana or Mississippi, and/or lack of rain in Illinois in late June and early July would strengthen prices moderately.

Average Prices Received by Farmers for Farm Products

Item	Unit	IOWA			U.S.	
		May ¹ 2004	Apr ¹ 2005	May ² 2005	Apr ¹ 2005	May ² 2005
		-----Dollars-----				
Corn	Bu.	2.80	1.95	1.80	2.00	1.92
Oats	Bu.	1.86	1.84	1.80	1.65	1.58
Soybeans	Bu.	9.72	5.95	6.05	6.03	6.09
Alfalfa, baled	Ton	93.00	82.00	80.00	103.00	116.00
All Hay, baled	Ton	90.00	81.00	76.00	96.90	107.00
All Hogs	Cwt.	59.20	53.00	55.90	51.20	55.40
Sows	Cwt.	46.80	42.50	42.50	41.70	41.70
Bar. & Gilts	Cwt.	59.30	53.10	56.00	51.50	56.10
Beef Cattle	Cwt.	88.30	95.60	92.80	94.00	92.90
Cows	Cwt.	53.80	59.00	63.50	57.10	58.70
Strs. & Hfrs.	Cwt.	89.00	96.00	93.40	98.30	96.90
Calves	Cwt.	122.00	136.00	134.00	140.00	141.00
Milk Cows ³	Hd.	-	1,850	-	1,770	-
Milk (whls)	Cwt.	20.00	15.50	15.40	15.20	14.90
Sheep	Cwt.	33.40	43.90	-	44.40	-
Lambs	Cwt.	104.00	110.00	-	114.00	-
Eggs (mkt)	Doz.	0.387	0.220	0.199	0.261	0.236

¹ Corn, oats, soybeans, all hogs, all cattle, all sheep, and milk are whole-month prices. All hay and eggs are mid-month prices. ² All prices are mid-month.

³ Prices published January, April, July, and October.

Price Index Summary Table

Prices Received	IOWA			UNITED STATES		
	May 2004	Apr 2005	May ¹ 2005	May 2004	Apr 2005	May ¹ 2005
1990-92=100 ²						
Prices rec'd	137	108	105	129	122	122
Crops	146	95	92	124	121	121
Lvstk Prods.	129	120	118	133	122	122
1910-14=100 ³						
Prices rec'd	-	-	-	819	774	774
Crops	-	-	-	611	599	599
Lvstk Prods.	-	-	-	1,021	938	938

¹ Preliminary ² 1990-92=100 reference replaced 1997=100 in January 1995.

³ Iowa figures for 1910-14=100 base not available.

U.S. Prices Paid Index Summary

Prices Paid	May 2004	Apr 2005	May 2005	May 2004	Apr 2005	May 2005
1990-92=100			1910-14=100			
Prices Paid ¹	135	139	139	1,793	1,855	1,857
Feed	135	116	117	658	565	574
Ratio ²	96	88	88	46	42	42

¹ Prices paid by farmers for commodities and services, interest, taxes, and farm wage rates. ² Ratio of index of prices received to index of prices paid for commodities and services, interest, taxes, and farm wage rates.

